

PENNSYLVANIA LIQUOR CONTROL BOARD

MEETING MINUTES

WEDNESDAY, DECEMBER 6, 2017

NORTHWEST OFFICE BUILDING, CONFERENCE ROOM 117, HARRISBURG, PA

Tim Holden, Chairman
Mike Negra, Board Member
Michael Newsome, Board Member
Charlie Mooney, Executive Director
John Stark, Board Secretary

[Office of Chief Counsel](#)
[Bureau of Licensing](#)
[Bureau of Human Resources](#)
[Bureau of Accounting & Purchasing](#)

[Office of Retail Operations](#)
[Bureau of Product Selection](#)
[Financial Report](#)
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PUBLIC MEETING – 11:00 A.M

CALL TO ORDER *Chairman Holden*

Pledge of Allegiance to the Flag

OLD BUSINESS..... *Secretary Stark*

A. Motion to approve the previous Board Meeting Minutes of the November 15, 2017 meeting.

Motion Made: Board Member Negra
Seconded: Board Member Newsome

Board Decision: Unanimously agreed (3-0 vote) to approve previous Board Minutes.

B. Announcement by the Chairman for Ratification of a Board Action.

The following Board Action approved on November 29, 2017 was decided by Notational Voting after the adjournment of the Board's last public meeting.

Chairman Holden, Member Negra and Member Newsome unanimously agreed (3-0 vote) to approve to modify the Conditional Licensing Agreement (CLA) currently in effect against Restaurant Liquor License No. R-2524, located in the Township of Havertown, Delaware County held by Giant Food Stores, LLC.

The modification of the CLA allows for the new Wine Expanded Permit (WEP) to go into effect on December 1, 2017.

PUBLIC COMMENT ON AGENDA ITEMS

There was no public comment on the printed agenda items.

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NEW BUSINESS

From the Office of Chief CounselRodrigo Diaz, Chief Counsel

- (1) **Domusimplicis, LLC** Appeal to
Commonwealth Court
 134 East Gay Street
 West Chester, Pennsylvania 19380-3147
 Restaurant Liquor License No. EDR-42
 LID 72618
 Docket No. 2017-04473-CS (Chester County)

Board Member Negra asked Rod Diaz, Chief Counsel, to explain this proposed action.

Mr. Diaz explained that this action involves an application for an economic development restaurant liquor license in Chester County that was previously denied by the Board. He indicated that the Board had denied the application because the applicant failed to present sufficient evidence to demonstrate a need for an economic development license. The license was not being sought for a depressed area, and the applicant did not exhaust reasonable means to find a suitable license within the existing county quota law. The applicant appealed, and the Chester County Court of Common Pleas reversed the Board’s decision. Mr. Diaz further indicated that the Office of Chief Counsel recommends pursuing an appeal to Commonwealth Court because the lower court did not apply the correct standard. That is, the lower court should not have reversed the Board simply because the applicant did not want to pay the fair market price for a license, and nobody was willing to sell a license to the applicant for the price it was willing to pay. He added that if this was all that is needed to be shown, the economic development exception would swallow the rule and destroy the quota system.

Board Member Negra asked if an argument would be made on appeal to point out that the applicant failed to pursue an available license through one of the PLCB’s license auctions.

Mr. Diaz confirmed that would be one of numerous factors to be included as part of the argument presented on appeal.

Motion Made: Board Member Negra
Seconded: Board Member Newsome

Board Decision: Unanimously agreed (3-0 vote)—Appeal to Commonwealth Court.

- (2) **ANNVILLE TOWNSHIP** Municipal Petition for
Exemption from the
Statute Regarding
Amplified Sound
 Case No. 17-NE-14

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Motion Made: Board Member Negra
Seconded: Board Member Newsome

Board Decision: Unanimously agreed (3-0 vote) to Approve Noise Exemption for a Period from December 6, 2017 to December 6, 2022.

(3) **CITY OF PITTSTON**
Case No. 17-NE-15

Municipal Petition for Exemption from the Statute Regarding Amplified Sound

Motion Made: Board Member Negra
Seconded: Board Member Newsome

Board Decision: Unanimously agreed (3-0 vote) to Approve Noise Exemption for a Period from December 17, 2017 to December 17, 2022.

*From the Bureau of Licensing Tisha Albert, Director of Regulatory Affairs
Barbara Peifer, Director, Bureau of Licensing*

(1) **Merchants Restaurant & Lounge, LLC** Appointment of Manager - Hotel
t/a Merchants Restaurant & Lounge
H-2974 (LID No. 71269) Case No. 17-9063
325 Main Street
Boswell, Somerset County

Motion Made: Board Member Negra
Seconded: Board Member Newsome

Board Decision: Unanimously agreed (3-0 vote) to Approve Appointment of Manager.

(2) **Boniko Corporation** Renewal – District 5
t/a Capri Homestead
R-13464 (LID No. 67584) Case No. 2017-67584
820 Amity Street
Homestead, Allegheny County

Motion Made: Board Member Negra
Seconded:

Board Decision: Hold by Board Member Negra for a Conditional Licensing Agreement (Offer-In-Compromise Terms).

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- (3) **Carrick Literary & Social Association** Renewal – District 5
CC-776 (LID No. 707) Case No. 2017-707
210 Copperfield Street
Pittsburgh, Allegheny County
- Motion Made:** Board Member Negra
Seconded:
- Board Decision:** Hold by Board Member Negra for a Conditional Licensing Agreement.
- (4) **L & W Ventures, LLC** Renewal – District 5
R-11050 (LID No. 63497) Case No. 2017-63497
129 West Schwab Avenue
Whitaker, Allegheny County
- Motion Made:** Board Member Negra
Seconded:
- Board Decision:** Hold by Board Member Negra for an Amended Conditional Licensing Agreement (Offer-In-Compromise Terms).
- (5) **SLMKW Enterprises, LLC** New Tavern Gaming License
t/a The Roadside Bar and Grill
R-4682 (LID No. 71619)
2187 McIntyre Road, P. O. Box 323
Young Township
McIntyre, Indiana County
- Motion Made:** Board Member Negra
Seconded: Board Member Newsome
- Board Decision:** Unanimously agreed (3-0 vote) to Approve New Tavern Gaming License.

Following the vote on this matter, Chairman Holden asked Tisha Albert, Director of Regulatory Affairs, for an update on the total number of Tavern Gaming Licenses that have been approved by the Board.

Ms. Albert indicated that, including the license that was just approved, a total of 58 Tavern Gaming Licenses have now been approved. She noted that one application is currently pending with the Pennsylvania Gaming Control Board, and the Bureau of Licensing is waiting for additional information to be supplied relative to another application.

Board Member Negra commented that this is the first application that he recalls having been received and presented for approval in the last six months.

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*From the Bureau of Human Resources Jason Lutcavage, Director of Administration
Jennifer Haas, Director, Bureau of Human Resources*

Personnel Actions

There were 17 personnel actions presented for consideration.

- (1) Daniel Barnd – Rescind Removal
- (2) Courtney Brockenborough - Removal
- (3) Jeryl Butler – Removal
- (4) Temple Carter – Removal
- (5) Matthew Farley – Removal
- (6) David Hamilton – Removal
- (7) Kenneth Harbin – Removal
- (8) Kristina Matthews – Affirm Removal
- (9) Aimee Milligan – Affirm Removal
- (10) Michael Purnell – Affirm Removal
- (11) Charles Ryan – Removal
- (12) Vincent Salvati – Removal
- (13) Aleesha Small - Removal
- (14) Markese Taylor – Affirm Removal
- (15) Courtney Whigham – Removal
- (16) Darren Williams – Affirm Removal
- (17) James Wynn – Affirm Removal

Motion Made: Board Member Negra
Seconded: Board Member Newsome

Board Decision: Unanimously agreed (3-0 vote) to Approve all Personnel Actions.

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*From the Bureau of Accounting & Purchasing Oren Bachman, Director of Finance
Koppolu Ravindraraj, Director, Bureau of Accounting & Purchasing
Mike Freeman, Director, Bureau of Financial Management & Analysis*

Procurement Actions:

- (1) **PCI Compliance Software with Maintenance and Support** – The IBM QRadar Security Event and Incident Management (SEIM) is the core of PLCB Security operations and receives system log files from numerous devices; store servers, registers, routers, switches, firewall, etc., correlates and analyzes events, and creates alerts of suspicious or abnormal behavior. This capability provides insights that would not exist through other channels. The operational use of the QRadar SEIM has outgrown the virtual appliance capabilities. Procuring the 3129 all-in-one QRadar SEIM appliance and licensing will scale to support all agency log sources, both current and future.

Procured via DGS Statewide Contract #4400016179 – VENDOR: **IBM** – TERM: One (1) year – **\$115,000.00 estimated cost.**

- (2) **Philadelphia Police Department Services Renewal** – Provide an overtime detail of four (4) uniformed police officers in four (4) distinctively marked Philadelphia Police Department patrol cars to perform unscheduled security checks at various Fine Wine & Good Spirit stores throughout Philadelphia.

Procured via PO 63013340 Option Year – VENDOR: **Philadelphia City Treasurer** – TERM: One (1) year – **\$856,440.00 estimated cost.**

- (3) **System Administrator Staff Augmentation Renewal** – Provide database assistance to support the ERP, POS, warehouse environments and other Unix/Linux servers. Once the migration of the data center from Cameron Street to OA Enterprise Data Center is complete, will continue migrating PLCB hosted IBMS environments to OA’s data center.

Procured via DGS Statewide Contract #6100030999 – VENDOR: **OST, Inc.** – TERM: Six (6) months – **\$59,332.14 estimated cost.**

- (4) **Security Guard Services** – Provide uniformed armed and unarmed security guards at fifty (50) Fine Wine & Good Spirit store locations.

Procured via Request for Quote #20171011 against DGS ITQ Statewide Contract #4400017336 – VENDOR: **St. Moritz Security Services, Inc.** – TERM: Four (4) years, eight (8) months for the period 1/1/2018 through 8/2/2022 to align with DGS Contract Validity Period – **\$12,285,590.00** estimated cost which includes a 10% (\$1,116,872.00) allowance for new stores and overtime hours. The RFQ was sent to all sixteen (16) qualified suppliers on the DGS ITQ Contract. The selection criteria is based on a Best Value Determination and St. Moritz Security Services, Inc. was selected as the best value for the agency quoting the lowest hourly rates. The current yearly security guard cost using the proposed hours is \$2,515,623.00. Anticipated new yearly cost will be \$2,632,626.00 for a 4.65% increase in yearly cost, including the new stores and overtime allowance.

- (5) **Trailer Drop Project** – PLCB is enhancing the Delivery and Trailer drop programs to increase efficiency of the overall process. By implementing these system enhancements, the PLCB will be able to enroll any grocery chain serviced by DCs 2 and 4 in this program. For the purposes of calculating cost savings, the enrollment of two new chains within the first year will lead to estimated

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cost savings of roughly \$604,000.00, primarily through the elimination of to be determined Stop-Off Fees and harvesting the per case delivery savings.

Procured via PO 63013719 Amendment – VENDOR: **Deloitte** – TERM: Five (5) months – **\$558,000.00** estimated cost.

- (6) **Emergency Cleanup at Philadelphia Distribution Center** – On October 20, 2017, a sprinkler pipe ruptured in Philadelphia Distribution Center. ServPro was called in to perform emergency cleanup in the building. They cleared the facility of standing water, and then placed industrial dehumidifiers and fans in the affected area to dry out the building and the wet pallets. The service also included bringing in truck mounted generators to provide electrical power to the dehumidifiers and fans, and the application of a floor treatment to inhibit bacterial and mold growth.

Procured via Emergency Purchase Order – VENDOR: **ServPro** – **\$193,637.92** estimated cost.

- (7) **Sprinkler Pipe Repair** – On October 20, 2017, a sprinkler pipe ruptured in the Philadelphia Distribution Center. Oliver Sprinkler was called in to provide emergency repairs on the broken line. The service included replacing damaged piping, realigning piping that was moved out of position in the break, and securing the piping to the floor and wall. The line break required floor excavation and repair, along with the pipe repair.

Procured via Emergency Purchase Order – VENDOR: **Oliver Sprinkler Company** – **\$63,551.40** estimated cost.

Motion Made: Board Member Negra
Seconded: Board Member Newsome

Board Decision: Unanimously agreed (3-0 vote) to Approve all Procurement Actions.

Inter-Agency Charges:

None

From the Office of Retail Operations..... Carl Jolly, Director of Retail Operations

1. **#0918 – 560 Andrews Road, Trevose Amendment**
2. **#4608 – 922 West Lancaster Avenue, Bryn Mawr Amendment**
3. **#5141 – 4906-08 Baltimore Avenue, Philadelphia Amendment**

Motion Made: Board Member Negra
Seconded: Board Member Newsome

Board Decision: Unanimously agreed (3-0 vote) to Approve all Retail Operations Actions.

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*From the Bureau of Product SelectionDale Horst, Director of Marketing & Merchandising
Tom Bowman, Director, Bureau of Product Selection*

1. Regular Recommended Delist January 2018

<u>BRAND NAME AND SIZE</u>	<u>CODE</u>
<u>Majestic W S USA Inc</u> Hirsch Reserve Bourbon Kentucky Small Batch 750 ML	30657
<u>North Wales Wines</u> Barefoot Zinfandel 750 ML	6770
<u>The Wine Group Inc</u> Franzia Pinot Grigio 3 L	1672

EFFECTIVE DATE: The transference to closeout will become effective January 8, 2018

Motion Made: Board Member Negra
Seconded: Board Member Newsome

Board Decision: Unanimously agreed (3-0 vote) to Approve all Bureau of Product Selection/
Marketing Actions.

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FINANCIAL REPORT *Michael J. Burns, Comptroller Operations, Office of Budget*

**Commonwealth of Pennsylvania
Pennsylvania Liquor Control Board
State Stores Fund
Comparative Statement of Net Position
(Unaudited)**

	<u>October 31, 2017</u>	<u>October 31, 2016</u>
<u>ASSETS</u>		
Current assets:		
Cash	\$ 62,302,756	\$ 38,155,446
Investments - short term	216,868,226	293,131,510
Accounts and claims receivable, net	1,638,796	1,008,713
Due from other funds - Note 8	-	-
Merchandise inventories, net	279,520,011	291,036,454
Operating supplies	449,176	496,981
Prepaid expenses	3,261,950	2,835,493
Total current assets	564,040,915	626,664,597
Non-current assets:		
Non-depreciable capital assets:		
Land	322,973	322,973
Depreciable capital assets:		
Building	19,816,479	19,557,620
Leasehold improvements	582,597	864,825
Machinery and equipment	48,195,746	52,621,056
Intangibles - internally generated software	29,587,200	22,586,130
Less: accumulated depreciation	64,754,103	55,408,102
Net depreciable capital assets	33,427,919	40,221,529
Total non-current capital assets	33,750,892	40,544,502
Total assets	\$ 597,791,807	\$ 667,209,099
Total deferred outflows of resources - Note 4	\$ 107,021,773	\$ 98,111,449
<u>LIABILITIES</u>		
Current liabilities:		
Trade accounts payable	\$ 275,330,586	\$ 301,186,059
Other accounts payable	29,277,711	14,559,616
Accrued expenses	23,448,642	22,985,599
Self-insurance, workers' compensation - Note 6	8,739,857	9,771,965
Due to other funds - Note 8	4,008,654	8,989,751
Due to fiduciary funds - Note 8	3,347,455	2,793,388
Due to other governments - Note 8	862,194	856,165
Total current liabilities	345,015,099	361,142,543
Non-current liabilities:		
OPEB - Note 5	858,849,000	95,778,113
Self-insurance, workers' compensation - Note 6	42,256,546	39,287,287
Net pension liability - Note 4	487,443,490	462,455,699
Compensated absences - Note 1	18,904,788	19,506,861
Total non-current liabilities	1,407,453,824	617,027,960
Total liabilities	\$ 1,752,468,923	\$ 978,170,503
Total deferred inflows of resources - Note 4	\$ 20,297,976	\$ 6,396,121
<u>NET POSITION</u>		
Net investment in capital assets	\$ 33,750,892	\$ 40,544,502
Deficit***	(1,101,704,211)	(259,790,578)
Total net position	\$ (1,067,953,319)	\$ (219,246,076)

***Effective July 1, 2017, the PLCB implemented the Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB). This standard established new standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense related to OPEB. The State Stores Fund Net Position changed by a total of \$(751,632,988) as a result of implementing GASB 75.

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Commonwealth of Pennsylvania
Pennsylvania Liquor Control Board
State Stores Fund
Comparative Statements of Revenues, Expenses, and Changes in Net Position
For The Month Ending October 31, 2017 and October 31, 2016
(Unaudited)

	<u>October 2017-18</u>	<u>October 2016-17</u>
Sales net of taxes	\$ 162,890,338	\$ 164,376,704
Cost of goods sold	(112,480,044)	(114,921,534)
Gross profit from sales	<u>50,410,294</u>	<u>49,455,170</u>
Operating (expenses):		
Retail operations	(33,337,432)	(34,303,807)
Marketing & merchandising	(1,666,303)	(1,657,873)
Supply chain	(931,665)	(762,108)
Wholesale operations	(123,261)	(246,401)
Information technology services	(3,298,537)	(3,113,114)
Regulatory affairs	(1,564,040)	(1,870,825)
Administration	(1,258,718)	(1,291,810)
Finance	(337,312)	(313,125)
Board & secretary	(451,444)	(474,866)
Legal	(278,013)	(181,805)
Commonwealth provided services - Note 2	(1,130,832)	(1,170,633)
Total	<u>(44,377,557)</u>	<u>(45,386,367)</u>
Operating profit	<u>6,032,737</u>	<u>4,068,803</u>
Other operating revenues (expenses):		
Enforcement fines	92,954	87,567
License fees	4,358,833	1,947,575
Miscellaneous income	363,146	253,523
Administrative law judge	(228,404)	(222,213)
Total	<u>4,586,529</u>	<u>2,066,452</u>
Total operating income	<u>10,619,266</u>	<u>6,135,255</u>
Non-operating revenues (expenses):		
Interest income	225,631	173,498
Other	-	-
Total	<u>225,631</u>	<u>173,498</u>
Income before operating transfers	<u>10,844,897</u>	<u>6,308,753</u>
Operating transfers out:		
PSP enforcement - Note 3	(2,220,956)	(1,963,126)
Income after enforcement/before other transfers	<u>8,623,941</u>	<u>4,345,627</u>
Other operating transfers out:		
General fund - Note 3	-	-
Drug and alcohol programs - Note 3	-	-
Total	<u>-</u>	<u>-</u>
Change in net position	<u>8,623,941</u>	<u>4,345,627</u>
Total net position, beginning 2017-18 restated - Note 9	<u>(1,076,577,260)</u>	<u>(223,591,703)</u>
Total net position - ending	<u><u>\$(1,067,953,319)</u></u>	<u><u>\$(219,246,076)</u></u>
Liquor tax	29,458,780	26,906,112
State Sales Tax	11,585,690	10,705,361
Local Tax	744,218	698,350
Taxes remitted to Dept.of Revenue PTD	<u>\$ 41,788,688</u>	<u>\$ 38,309,823</u>

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**Commonwealth of Pennsylvania
Pennsylvania Liquor Control Board
State Stores Fund
Comparative Statements of Revenues, Expenses, and Changes in Net Position
For The Four Months Ending October 31, 2017 and October 31, 2016
(Unaudited)**

	<u>2017-18</u>	<u>2016-17</u>
Sales net of taxes	\$ 648,217,805	\$ 634,463,500
Cost of goods sold	(446,481,899)	(440,567,407)
Gross profit from sales	201,735,906	193,896,093
Operating (expenses):		
Retail operations	(131,464,718)	(132,521,890)
Marketing & merchandising	(5,425,651)	(5,048,916)
Supply chain	(3,640,510)	(3,230,534)
Wholesale operations	(529,200)	(396,400)
Information technology services	(10,798,316)	(11,517,430)
Regulatory affairs	(6,709,253)	(7,596,297)
Administration	(4,969,391)	(4,760,786)
Finance	(1,278,843)	(1,249,412)
Board & secretary	(2,052,031)	(2,105,178)
Legal	(1,178,454)	(912,562)
Commonwealth provided services - Note 2	(4,523,869)	(4,483,519)
Total	<u>(172,570,236)</u>	<u>(173,822,924)</u>
Operating profit	29,165,670	20,073,169
Other operating revenues (expenses):		
Enforcement fines	499,361	419,006
License fees	14,594,651	7,382,886
Miscellaneous income	936,367	471,093
Administrative law judge	(910,019)	(882,705)
Total	<u>15,120,360</u>	<u>7,390,280</u>
Total operating income	44,286,030	27,463,449
Non-operating revenues (expenses):		
Interest income	888,229	624,667
Other	1,200	(40,264)
Total	<u>889,429</u>	<u>584,403</u>
Income before operating transfers	45,175,459	28,047,852
Operating transfers out:		
PSP enforcement - Note 3	(9,016,891)	(9,115,564)
Income after enforcement/before other transfers	36,158,568	18,932,288
Other operating transfers out:		
General fund - Note 3	-	-
Drug and alcohol programs - Note 3	-	-
Total	<u>-</u>	<u>-</u>
Change in net position	36,158,568	18,932,288
Total net position, beginning 2017-18 restated - Note 9	<u>(1,104,111,887)</u>	<u>(238,178,364)</u>
Total net position - ending	<u>\$ (1,067,953,319)</u>	<u>\$ (219,246,076)</u>
Liquor tax	116,949,582	111,346,971
State Sales Tax	46,002,667	43,589,679
Local Tax	2,916,042	2,779,659
Taxes remitted to Dept.of Revenue YTD	<u>\$ 165,868,291</u>	<u>\$ 157,716,309</u>

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OTHER ISSUES

None

CITIZEN COMMENT/BUSINESS FROM THE FLOOR

None

NEXT BOARD MEETING

The next meeting of the PLCB will be a formal meeting on Wednesday, December 20, 2017 beginning at 11:00 A.M. Prior to the public meeting, there will be an Executive Session to discuss matters of personnel and to engage in non-deliberative informational discussions, some of which are regarding actions and matters which have been approved at previous public meetings.

ADJOURNMENT

On a motion by Board Member Negra, seconded by Board Member Newsome, the meeting was adjourned.

The foregoing actions are hereby officially approved.

Chairman

Member

Member

ATTEST:

Secretary